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**Next 1 Page(s) In Document Exempt**

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25X1

## CENTRAL INTELLIGENCE BULLETIN

25X1

15 January 1959

### DAILY BRIEF

#### I. THE COMMUNIST BLOC

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Watch Committee conclusion--Berlin: The Berlin situation remains potentially dangerous but will probably not develop into a crisis in the immediate future.

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#### II. ASIA-AFRICA

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Laos: [Premier Phoui Sananikone received extraordinary powers from the assembly on 14 January. His reform program will involve heavy dependence on the army. The US plan to assume a direct role in training the army is being opposed by the French, who were granted exclusive control over such training by the 1954 Geneva Agreements.]

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Watch Committee conclusion--Southeast Asia: In Cambodia, Premier Sihanouk's awareness of political plots against him, abetted by Thailand and South Vietnam, may impel him to seek increased Communist support. This development, and Viet Minh pressures on Laos, may presage increased Communist penetration of Southeast Asia.

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Watch Committee conclusion--Middle East: Although the situation in the Middle East remains precarious, a deliberate initiation of large-scale hostilities is unlikely in the immediate future. Communist influence and activity in Iraq continue to pose the threat of Communist control of the government.

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[Redacted]

*NO*  
Tunisia: The government has decided to withdraw from the French franc zone despite inevitable serious economic consequences. President Bourguiba is expected to announce this decision on 15 January and has inquired whether the US would consider pegging the Tunisian dinar to the dollar and assisting Tunisia to find alternative markets to France.

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### III. THE WEST

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Belgium's Congo policy: Despite a desire to maintain a united front, differences among the major Belgian parties may impede implementation of the new policy announced in Brussels on 13 January. In the Congo, the announcement will probably be received with skepticism by impatient African nationalists and may evoke opposition among European settlers.

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*OK*  
Argentina: President Frondizi's political opponents, including the Peronistas and Communists, are attempting to exploit the sharp rise in prices and other features of the US-

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backed austerity and stabilization program initiated on 1 January. Frondizi, who will visit the United States from 19 January to 1 February, has warned his opponents that he will move energetically against efforts to obstruct the plan, which is essential to economic recovery. The state of siege imposed on 11 November to quell labor disorders is still in effect.

25X1

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## I. THE COMMUNIST BLOC

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Serov May Be Chief of Soviet Military Intelligence

[General Ivan Serov has been appointed head of the USSR's Military Intelligence Service (GRU)]

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25X1 This report follows closely Moscow rumors linking Serov to a military assignment with intelligence responsibilities. Serov has recently been appearing in the capital in a general's uniform.]

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25X1 A statement by Mikoyan, however, suggests that Serov was relegated to the GRU post in some disfavor. At a recent luncheon, Mikoyan is reported to have linked Serov with Molotov, Bulganin, and Shepilov as examples of individuals dropped from high posts for unsatisfactory work.]

[The assignment of Serov to the GRU would be consistent with Khrushchev's practice of demoting rather than purging officials whom he no longer wants in top-level posts. The GRU position is several levels below that of KGB chief in general importance, and it presents few opportunities for self-aggrandizement or for exercising political influence. It is a post, however, in which Serov's long experience in intelligence work could be utilized effectively.]

25X1

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## II. ASIA-AFRICA

France Cool Toward Joint US-French Training  
Of Laotian Army

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[French opposition may be developing against US plans to assume a direct role in training the Laotian Army, on which Prime Minister Phoui Sananikone will have to lean heavily to implement his reform program. The army has suffered a steady decline in efficiency as a result of drastic reductions in the French training mission. US military personnel in Laos were to function ostensibly as members of the French training mission.]

[The director of Asian affairs in the French Foreign Ministry told US Embassy officials on 12 January that while he agreed with the urgency of increasing Laotian Army capabilities, the introduction of additional US military personnel into Laos was "probably undesirable" because of the sensitivity of the Laotian situation. Hinting that the use of French personnel financed by the United States might be preferable, he said Paris feared additional US personnel would contravene the Geneva Agreements of 1954 and might revive the International Control Commission. He suggested the subject might appropriately be taken up at tripartite French-British-US discussions on global policy coordination proposed by De Gaulle and scheduled to take place in two weeks.]

[This negative attitude partially reflects long-standing suspicion that the United States desires to supplant France in its former overseas possessions. It suggests an effort to retain as much French influence as possible in order to draw these areas into some form of association with the new French Community.]

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Tunisia Moves to Loosen Economic Ties with France

[The Tunisian Government has decided to break its economic ties with France by withdrawing from the franc zone. The government was irritated by Paris' devaluation of the franc without consultation with other franc-zone participants and feared future franc devaluations. A strong nationalist faction within the Tunisian Government had long advocated the break despite the inevitable serious economic consequences.]

[Both Tunisia and Morocco decided after France's devaluation on 27 December not to follow suit even though failure to devalue would price Tunisian and Moroccan exports--largely absorbed by France at premium prices--off the French market. Morocco, in an effort to stem a flight of capital, imposed a 10-percent tax on currency transfers within the franc zone, and now may consider following Tunisia's course.]

[Tunisian President Bourguiba, who is expected to announce the rupture on 15 January, has approached the United States for assistance in securing alternative markets to France. Considering devaluation inevitable, he has offered to revalue the Tunisian dinar created last fall, provided his government can negotiate with the United States a "temporary" agreement of convertibility of the dinar with the dollar at a rate to be negotiated. He suggested that the dinar, officially valued at approximately \$2.38 be pegged at \$2.00, a devaluation slightly greater than that of the franc. He also would like American assistance in obtaining dollar credits and in securing Tunisian reserves in France, which he estimated to amount to about \$400,000,000.]

[Despite a rupture of financial ties with France, Bourguiba is considering an eventual association with the European Common Market, a move in line with Bourguiba's well-known pro-Western orientation and his recently reiterated desire for a close association of North Africa--including an independent Algeria--with France.]

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### III. THE WEST

#### Belgium Divided on New Policy for the Congo

Differences among the major Belgian parties over policy toward the Congo may impede implementation of the government declaration of 13 January.

While the opposition Socialists agree with the essence of the government's political program, they refuse to give their unequivocal support to the declaration because they think that it insufficiently stresses economic and social reforms. Premier Eyskens therefore has not called for the vote which he had hoped would give the declaration the character of a clear-cut national policy. Furthermore, the Liberals, who are in the coalition, presented counterproposals to the declaration before its announcement. The Liberals' objections, which reflect the views of powerful economic interests in the Congo desiring a slower political evolution there, were overruled, but may arise again.

In the Congo, the Belgian pronouncement will probably be received with skepticism, if not outright distrust, by increasingly impatient African nationalists. This will be especially true of those still smarting under the vigorous Belgian suppression of the rioting in Leopoldville last week and subsequent arrest of African leaders and proscription of the most important nationalist organization. Some attempt may be made to organize hostile demonstrations, although probably not in the capital, where Belgian security precautions remain tight. Among less aroused and more thoughtful Congolese, criticism may focus less on the failure of Brussels to provide "independence now" than on the apparent absence of assurances with respect to such considerations as the powers the projected councils are to enjoy during the indefinite period of tutelage.

Among the approximately 25,000 permanent European settlers in the Congo, the government's statement is likely to evoke vociferous opposition and possibly some agitation for the granting of autonomy, at least to regions in the eastern Congo where most of these Europeans are concentrated.

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### Argentine Stabilization Program Draws Opposition Fire

Various Argentine opposition groups are trying to undermine President Frondizi's economic and political policies by exploiting the hardships imposed by the US-backed austerity and stabilization program initiated on 1 January. The strongest blasts have been issued by the Peronistas and by the major opposition group, the People's Radical Civic Union (UCRP). The Communists have organized neighborhood committees to protest high living costs.

Despite Frondizi's call for subordinating partisan politics to a joint effort at economic recovery, the Peronistas have denounced the program as "condemning the nation to the yoke of foreign capitalism" and creating unnecessary hardship for workers. They are seeking to regain control of organized labor in the current union elections. Because their party is still outlawed, the Peronistas are reorganizing under the name Justicialista party in order to participate in several provincial elections early this spring. The UCRP has severely attacked Frondizi's policies, especially those concerning stabilization and the use of foreign companies to develop petroleum.

Nonpolitical business and labor elements have also expressed alarm over sharp price rises in both consumer goods and raw materials for local industry, since now there will be stiffer competition from imports.

Frondizi has stated that he is prepared to correct errors, but under no circumstance will the government modify the plan's basic structure or hesitate to move against obstacles to its success. In this he reportedly has strong military support. The state of siege, imposed on 11 November to quell labor disturbances, will probably be retained during the initial stages of the program. [redacted]

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